

**MASTER
NEGATIVE
NO. 95-82380-4**

COPYRIGHT STATEMENT

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials including foreign works under certain conditions. In addition, the United States extends protection to foreign works by means of various international conventions, bilateral agreements, and proclamations.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

The Columbia University Libraries reserve the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of the copyright law.

Author:

Quick, M.W.

Title:

**Modern speculation, its
methods and effects in...**

Place:

Titusville

Date:

[1888]

95-82380-4
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

Business
DE55.1
Q4

Quick, M W
Modern speculation, its methods and effects
in destroying values, an address before the
New York state grange at Jamestown, Jan. 24,
1888, Titusville, Pa. [1888,
cover-title, 34 p.

At head of title: Gambling in the products
of land and labor.

RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 12X

IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-22-95

INITIALS: PB

TRACKING # : MSH 04539

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.



2.5 mm

1234567890

2.0 mm

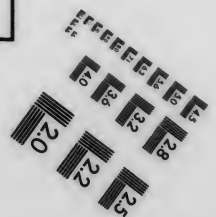
ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.5 mm

ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz1234567890



PM-MGP 13"x18" METRIC GENERAL PURPOSE TARGET PHOTOGRAPHIC



200 mm

150 mm

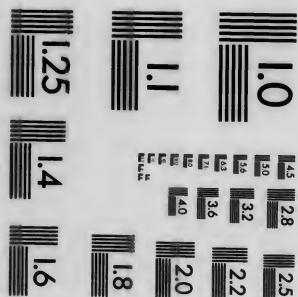
100 mm

1.0 mm

1.5 mm

2.0 mm

2.5 mm



ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

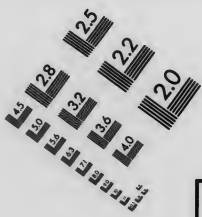
ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

A5

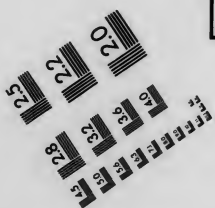
A4

A3



1303 Geneva Avenue
St. Paul, MN 55119

PRECISIONSM RESOLUTION TARGETS



4.5 mm

ABCDEFGHIJKLMN OPQRSTU VWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

ABCDEFGHIJKLMN OPQRSTU VWXYZ

D255.1-Q4

Quick, M.
Modern speculation...

Columbia University
in the City of New York

THE LIBRARIES



Graduate
SCHOOL OF BUSINESS
Library

338

GAMBLING IN THE PRODUCTS OF LAND AND LABOR.

Quick, M. W

MODERN SPECULATION,

ITS METHODS AND EFFECTS IN DESTROYING
VALUES.

*The only freedom I care about is the freedom to do
right; the freedom to do wrong I am ready to part with
on the cheapest terms to any one who will take it.*

—HUXLEY.

PRESS AMERICAN CITIZEN, TITUSVILLE, PA.

Business

D255.1

Q4

APR 28 1954 BB

MODERN SPECULATION.

AN ADDRESS BY M. W. QUICK OF TITUSVILLE, PA.,
BEFORE THE NEW YORK STATE GRANGE
AT JAMESTOWN, JANUARY 24, 1888.

Speculation, as it is known to-day, is a creature of American birth, and most of you have seen it grow from a mere threat of existence, to the development of a strength that enables it to reach out and exact tribute from every branch of trade.

When I was asked to present this subject to you it seemed but a task of an hour, but when I thumbed the pages of its record the work before me assumed proportions too vast to allow of comprehensive discussion in so brief a time. I have therefore confined myself to turning a leaf now and then for the purpose of giving you a hasty glance, and I hesitate at the responsibility which rests upon me, for I can unfold so small a portion of the whole record to your vision that I fear I shall not be able even to indicate many of the darker pages which this record contains.

I shall make no effort to go into the moral aspect of this subject, and that which I shall present for your consideration will be confined strictly to the effect of this so-called speculation upon the commercial position occupied by the productive industries and their auxiliaries.

Soon after the failure of Grant & Ward, in May, 1884, and while the mutterings of the coming panic were filling the air, a young man came to me requesting a loan of one hundred dollars, and offered as se-

curity his diamond shirt studs. He had already spent his inheritance in the oil exchanges, and now desired the funds necessary to secure his broker in the execution of an order to sell short, that he might thereby be benefited by the decline in oil which he believed was sure to follow. Failing to enlist my sympathies in his effort to thus sell what belonged to others, he went elsewhere and found a good "Samaritan" who bound up his—diamonds, and I next heard of him as a heavy and successful operator in the ranks of those, who, as shown by the oil exchange clearances, bought and sold 44,000,000 of barrels of "oil" per day during that month—an aggregate of 1,200,000,000 barrels—more than five times the entire output from American fields since the striking of the Drake well in 1859, gave the world a new light and a new industry.

In 1882 a system of cancellation was adopted by the oil exchanges, through which clearance-house sheets took the place of oil certificates, and these once necessary representatives of value became useful only in times when the balance of trade between the exchanges and the outside world made it necessary to receive and deliver oil certificates, and even this was, to a certain extent, done away with by a custom of borrowing and lending. Millions of barrels of so-called oil were, through this system, sold and bought by operators who had no property to sell, and no money to pay for their purchases, and when the panic which was precipitated upon the country during that eventful May actuated operators with one desire to sell, a tempest swept the oil fields and the value of producing property was so depressed that for nearly four years the oil producers have been struggling to overcome the effects of that storm.

The fact that the young man, whom I have

mentioned, soon returned without money or diamonds to his legitimate vocation, may be of passing interest; that he was able, through such an investment, to sell oil without thought of delivery, and thus to aid in crippling an industry which was at that time unable to support its own burdens, is a condition worthy of thought. No crime can be laid at his door; he availed himself of the privilege which is open to all, of operating without property; a system which fosters and encourages uncommercial transactions; one which nurtures panic and chaos, and carries a blighting influence to the very base on which it rests.

But I am not invited here to tell you of the burdens which producers of oil are called upon to bear, but rather to call your attention to similar burdens which you, as agriculturists, are supporting by your industry.

In doing this I will show you as fully as time will permit: 1st, the important position which your industry occupies in the commerce of the world; 2d, the great enemy with which you have to contend; and 3d, the direction to which you must look for relief.

First of all, the importance of receiving a just and fair compensation for the products of the soil, cannot be overestimated. It is a matter of vital importance, not only to the producer, but to every legitimate factor in commerce throughout the land. No person engaged in a vocation the pursuit of which tends to elevate and better the condition of mankind, should for a moment think that he is above the consideration of this subject; and I may safely say that none of those who have given due attention to the foundation on which civilization rests can be indifferent to this important consideration.

This is a commercial age, and the great

question to you, as tillers of the soil, is: How shall we obtain a just reward for our toil—an honest market for the produce of that soil which our fathers wrested from the wilderness? You want nothing more; you will be content with nothing less! To answer these questions was the purpose of your organization, and you are gathered here as representative producers of the Empire State, hoping to have some light thrown upon this subject, and to be able to report to your constituents that progress has been made towards its solution.

The value of American produce gauges the circulation of money among the American people. Not only this; it decides the balance for or against us as a nation in our commerce with foreign lands. According as this value is high or low, the avenues of trade are crowded or deserted. It decides what luxuries—yes! even what necessities may be enjoyed around four million farm firesides. By this value more than three hundred millions of acres of cultivated lands are made profitable or worthless, and the amount of compensation for the labor of fully three-fourths of our population engaged in all the industrial pursuits, is directly determined.

The price received for your produce determines what kind of food, what quality of clothing, what nourishment for the sick, and what pleasures you can provide for yourself and for your loved ones at home. It is this that marks the line beyond which the merchant cannot advance; it defines the demand for manufactured wares; it metes out the wages for the mechanic's toil; it determines the traffic on the railroads which pass your doors, and is indeed the very heart's blood of commerce.

What is your condition as agriculturists, to-day?

You have gone through years of depression, and have seen them followed by years of greater depression. You have entertained hopes of a brighter future, and have seen the clouds gather with increasing darkness. The tendency of your store has been to shrink year by year. Your farms are declining in value; your hours of leisure are shortening, and your ability to furnish recreation for the mind and body, by travel and association with the people of the world, is constantly being curtailed.

In this depressed condition you find many other branches of industry. By reason of your narrowed incomes, one branch of commerce—the most important of all the branches—is in a state of partial paralysis, and all the other branches, through this, are deprived of vigor.

Why is this? Can you answer by merely referring to protection or free trade theories? By simply pointing to statistics of over-production and under-consumption? By arguing upon the scarcity of money or excessive coinage? By deploring the excesses of luxury or by writing sonnets on the sufferings of want? I do not hesitate to answer, No! This course of reasoning may serve to divert the attention or arouse the sympathies, but it cannot solve the problem.

Believing that I will find no opposition, among Grangers in the importance which I attach to this class of producers, and the necessity of obtaining a remunerative price for their labor, I will proceed to an investigation of the artificial systems which dictate prices, and in so doing I am brought to the consideration of what I stated to be the second division of my subject, namely: the enemy which is, in my opinion, not only threatening, but destroying our commercial

life. That enemy I believe to be Modern Speculation.

Lest, however, I may not be understood I wish in the beginning distinctly to avow my belief that from honest and legitimate speculation, the greatest good may be derived: Legitimate speculation has peopled and developed our country. It has tunnelled our mountains and bridged our rivers. It has gone forth and returned with the produce of all climes. It has distributed abundant harvests through succeeding periods of want. It has brought the antipodes to a common center, and has been to commerce what steam has been to navigation. I also believe in providing for the future by purchases and sales under contracts maturing at a specified time. I can see many ways in which such contracts may very properly be an important feature of legitimate commerce, and I would under no circumstances hamper the sale of property for speculative purposes, whether done by spot transactions, or by agreements for future delivery. I have done and am willing to continue doing all in my power to promote, protect, and perpetuate such speculation, and I claim that there is nothing inconsistent in following this by saying, that of speculation as it is known to-day I cannot find words to express my condemnation. I am here, however, for the purpose of expressing my views on the subject, yet I fear that my time is too short to enable me to lay them before you in such a manner as to insure your complete comprehension.

You all know that exchanges exclusively for dealing in the principal products of the soil, have arisen in all the leading cities, and that "branch offices" and "bucket shops" are swinging their signs in the smaller cities, and in nearly all the villages throughout the land. The larger and more ostentatious of

these institutions have assumed to dictate to the world the price at which your products shall be bought and sold, while the smaller ones hold themselves in readiness to execute orders through the regular exchanges, or to become bankers in a commercial-gambling hazard on the fluctuations. So important have these exchanges become that whole pages of the daily press are given to a narration of their transactions, while there are periodicals which are entirely devoted to the interests of these speculative centres.

Before we go further let us see what are the nature and purposes of an exchange. We may thus arrive at intelligent conclusions founded upon analysis.

An exchange is a close-corporation-monopoly-combination. You have a voice in the administration of the town, county, State, and National Government, but you have none in the exchanges. They hold daily sessions in which your property is at stake, yet you are not recognized as having even the right of petition. You represent the soil and its produce, yet the exchanges monopolize the commerce growing out of your industry. Their doors are closed against the producers, the transporters, the exporters, and the consumers. The autocrats who hold this business in their hands would as soon think of asking you as to the quality of wines which they shall serve at dinner, as of consulting your interests in the transactions founded upon your products. An exchange is separate and distinct from the balance of the community, making its own laws, rules, and regulations of trade. It has power to enforce these rules and laws among members, but no court has yet been found that will enforce contracts of this nature. So far as the statute laws are concerned they are evaded or rendered inoperative. The very existence of property can be, and

to a great extent is, ignored in their buying and selling, and if you are an aggrieved party in one of these transactions, the one in default can defy the courts.

Now an association of this kind becomes a petty monarchy in itself, which, within its province, exerts a greater power than the Government under which it exists. Do you ask me how? In the power to make laws which are more potent than common law, commercial law, and the laws of equity and justice. In the power to make laws which protect those who are members of the association, but to which no other portion of the community have an appeal.

I say an exchange *can* do all this and prohibit from becoming members all who do not sign its compact. I do not say that it does make such laws—I say it can. By its work let us judge it.

It would take too much time for me to give you an adequate idea of the whole speculative business as conducted under exchange rules, and I will therefore confine myself to its influence on one commodity—wheat. When I have told you how these close-corporation laws have by their influence degraded the traffic in this one great food staple, you will have heard the story of modern speculation, not only in wheat but in cotton, corn, pork, and all the leading products of agricultural industry, as well as in shares of mining and railroad stocks, petroleum, metals, and last, but not least, in silver bullion.

I learn from the New York papers that the sales of wheat in the Produce Exchange of that city, during the month of November last aggregated about 260,000,000 of bushels. Of this amount 3,600,000 bushels were cash wheat, or sales for immediate delivery, the balance, 156,400,000, were sales on future contracts. Now this is $1\frac{1}{2}$ per cent. of the real to 98 $\frac{1}{2}$ per cent. of

the unreal. There was an election day, Thanksgiving day, and four Sundays in this month, leaving twenty-four business days. The figures given, then, show sales each day equal to the yearly product of the Empire State, and more than twenty times the average monthly exports from all our ports, including flour reduced to wheat equivalent.

This, understand me, exhibits the operations of one exchange in the wheat business and includes no branches or bucket shops.

The 3,600,000 bushels reported as the actual cash transactions for the month, were equal to 9 per cent. of the visible supply, and when we take into consideration the widespread distribution of this supply, and the equally wide distribution of the exchanges, this 9 per cent. would not seem to be far from indicating the true relation which the Produce Exchange occupies, as among all the exchanges, in the general speculative business. As these figures furnish the only basis for calculating the whole business. I will use them as they are presented. Now if this 256,400,000 bushels sold on future contracts is but 9 per cent. of the whole sales of this nature, we are to make an effort to comprehend 2,800,000,000 of bushels as the sales for one month in the regular exchanges. Multiply this one month by twelve, and if every person in the United States should quit eating wheat, and if our ports were closed against the export of wheat, it would take the whole product—about 500,000,000 bushels per year—for the next fifty-six years to terminate these contracts in the property sold.

I need not ask you whether this is legitimate business. The figures may be divided and sub divided many times and still you would answer—impossible!

Now, there has been some legitimate buying and

selling, as is shown by these statements. The 3,600,000 bushels were sales for cash, and some evidence of property, no doubt, passed from seller to buyer. This is trade,—business! And right here comes the illusion to the great army of buyers. Their line of argument may be supposed to run like this: The wheat business of the country is done in the exchanges, and great quantities of wheat are bought and sold within them. Ergo; all transactions in wheat are for wheat. But I think that I have shown you by the foregoing figures that all transactions in wheat are not for wheat, and I now ask you to consider three propositions.

First. That future contracts neither begin nor end in receipt or delivery of actual wheat;

Second. That future contracts are, in effect, an increase in the apparent supply; and

Third. That future contracts are all-powerful in fixing values.

To the first proposition—that future contracts neither begin nor end in actual wheat—there may be, and no doubt are, exceptions, but in the overwhelming majority of cases this is undoubtedly true.

I chanced to look at a *New York Times* of December 7th last, and there were sales recorded for the previous day of about 32,000,000 bushels of wheat for future delivery, nearly 26,000,000 bushels of which were for delivery next May. The same issue gave the whole visible supply as about 40,000,000 bushels. The sales of this 26,000,000 were for New York delivery, yet New York never held that amount of wheat, and will lack many millions of bushels of having that amount next May. Still we have the authority of the *New York Times* that this amount was sold for delivery during next May. These options certainly did not begin with actual wheat. It is equally certain

that they will not end in actual wheat. To assert it would be absurd.

There will be a settlement day in May; simply a settlement day. If the sellers of wheat options control actual wheat on that day, they will receive the difference in adjustment. If the buyers can buy enough actual wheat to control the market, and to advance it above the price named in their contracts, they will dictate the price of settlement. You have no part in this deal. The millions of sales are founded on the idea of wheat, and are called wheat, yet they are not actual wheat. The growers of this grain are to-day, and have been for years, doing the hard work necessary to furnish a foundation for the greatest farce known to the world, and for the support of an aristocracy who conduct a travesty on commerce, the depressing influence of which is felt in all branches of industry.

To the second proposition—that future contracts are, in effect, an increase of the apparent supply—I ask your close attention, for hidden in this fact I see the worm that has been blighting your prosperity. To thoroughly trace the workings of this worm I would be required to take you through all the avenues of industry; but this my limited time will not permit.

You know that it costs money to carry wheat. Now the middle-men must carry this surplus of forty millions of bushels in sight, and you are as much interested in protecting this store in their hands as you are in procuring a good crop, for the traffic between them fixes the price for the product of your harvest. The burdens borne by them are your burdens, for your interests are advanced and depressed by the same influences that advance or depress the value of the surplus held between your granaries and the table of the consumer.

The legitimate expenses of carrying the actual wheat in sight are, the interest on the money value, the insurance, and the storage on 40,000,000 of bushels. On the bases of values now ruling, this aggregate expense is about $1\frac{1}{4}$ cents per month, or 15 cents per bushel per year.

The present apparent supply cannot be carried for less than \$500,000 per month. That is a burden that will under all circumstances press down on the shoulders of those who hold wheat; and when the shoulders get tired, the effort to get other shoulders to come to the relief of the aching ones tends to depress the selling price. Now, if I can show you that future contracts increase the cost of holding wheat to the full extent of the amount sold, I think you will have no difficulty in coming to the conclusion that wheat futures are as much of a burden on the shoulders of the legitimate factors in the wheat business as though they were actual wheat.

On December 6th, when the 26,000,000 of bushels were sold—which I have shown you cannot be delivered—the spot price for actual wheat was 89 $\frac{3}{4}$ cents, and May options were sold at 94 cents per bushel. Now what was represented by this $4\frac{1}{4}$ cents per bushel above the price of genuine, spot wheat, that was added to fix the base for these May contracts? I wish that every farmer on the continent would give thought to this question. An option sale of wheat which can under no circumstances be terminated by the delivery of wheat—which must, of necessity, be adjusted by the receipt and payment of differences—and yet there is embraced in the price of this future contract a premium of $4\frac{1}{4}$ cents per bushel above the value of the existing reality that gives it a name.

Now I venture the assertion that if there were no

expense connected with carrying actual wheat during the existence of these contracts, this $4\frac{1}{4}$ cents would not be added. No one would pay this unless it were in lieu of the expense connected with carrying actual wheat. It would cost $6\frac{1}{4}$ cents per bushel to carry stored wheat during the life of these contracts, or \$1,625,000 to carry the 26,000,000 bushels sold on this one day. If you wanted to carry this amount of wheat until May, and believed that future contracts were the same as actual wheat, because they would terminate on the same basis of value, you would no doubt have thought it much better to cover the expense of this carrying by purchasing futures at a premium of \$1,105,000 than to carry the actual wheat at an expense of \$1,625,000, for you would thus save the sum of \$520,000. This would seem to be a good business enterprise; but when you go behind the scenes and find out that the contract wheat never existed, it becomes clear that while there is an apparent saving of \$520,000, there is embraced a consideration of \$1,105,000 for a service that cannot be performed. It is for carrying a commodity which does not exist, and the very fact that this apparent service can be secured at a price one-third less than the gold value of actual service, is enough to justify us in stamping across its face in letters large and plain, the word—counterfeit!

Now I want to draw your attention to the conclusion which follows, for it is the vital point in the argument which I have been endeavoring to make. In the first place, we find the figures which show the sales of future contracts, ostensibly representing wheat, to be so enormously in excess of any possible supply, that our suspicions of their genuineness are aroused. In the next place, we discover that the price of these futures is at a figure so much lower than can be legit-

imately accounted for, that our suspicions are confirmed, and we are forced to believe that they are counterfeit and do not represent actual wheat at all. Now with these counterfeits upon the market, as good, or even better for speculative purposes, than the genuine, and underbidding for a pretended service the actual value of the real—is not the conclusion inevitable, that the burdens of carrying the surplus are thus increased, and just as palpably too, as though the storehouses of the country contained the full amount of wheat that is represented by these contracts? Is not this, in effect, an increase of the visible supply of wheat even beyond the limits of comprehension?

My third proposition—that future contracts are all-powerful in fixing values—follows naturally from a consideration of my second:—If the pernicious effect of futures is to increase the ostensible supply beyond the legitimate figure, then, by the inevitable law of supply and demand, prices must arrange themselves in sympathy with the superincumbent weight of this supply—be it real or artificial—and the market price thus forced far below its natural and legitimate level.

I need not occupy your time in demonstrating that values are sympathetic, and that a continued low price for speculative commodities means a low price for all farm produce. You cannot obtain a disproportionately higher price for pork than for the corn to produce pork; neither can you expect corn to bring a higher market price than wheat, for wheat contains more nutriment than corn, and the world prefers wheaten to corn bread. In like manner you cannot expect your farms to have more than a productive value as based on the market price of their yield. You cannot gain on the one hand what you lose on the

other. Close observation and economical cultivation may, at times, have enabled you to produce specialties at a profit, but sooner or later you have found even these to sink to a basis of poor pay for hard work.

The same general disregard for the limits of property, and the same carrying of fictitious stores, exists in the cotton exchanges, and in fact in all branches of the speculative exchange system.

I did not intend to go beyond the effect of modern speculation on agricultural products, but I desire to say a few words in regard to the possibilities in the so called speculation in railroad stocks, for the railroads are so closely connected with your welfare that you cannot ignore them in considering the subject of abnormal influences on the prosperity of the country.

Now, if the shares of railroad stocks can be sold in excess of the possibility of delivery, then it follows that one can, while controlling the majority of shares in any particular road—and with them the management—make sales for future settlement to such an extent that he becomes interested in destroying the value of the property, as a means of making his contract sales profitable. This may be done by breaking freight or passenger rates; by defaulting interest; by passing dividends; by stock watering; by extravagance and poor service. After the termination of his contracts of sale he may become a buyer, and manage the property, with an eye on the coming day when he can punish those who have dared to sell short. You can see that speculation, as it is known, furnishes greater inducements to run railroads for the benefit of the speculative interests of their managers than for the profit of the stockholders, or for the accommodation of the public. It would be unkind to intimate that any of

our great railroads are, or have been so run—the Erie as an illustration.

The Stock Exchange of New York city has recently placed silver bullion certificates on the speculative list. These certificates are closely related to the coin of our country, and if silver speculation, and silver futures once become popular in the exchanges, silver certificates, and even silver itself, will become secondary to silver contracts for future settlement, and it is a strong government indeed that can put a stamp on any fixed amount of this metal so plainly that the world will say, this is one dollar.

My time will not permit me to go deeper into those questions. I have presented them in as few words as possible, with the hope that inquiry might be aroused and that thus you might be induced to go behind the scenes and to examine the machinery for yourselves. If you do this, and the investigation leads you to think that the sale of what does not exist, and what cannot be delivered can, in any way or under any conceivable circumstances, be of benefit to the producers or to any of the factors of legitimate commerce—yes, if you do not find Modern Speculation a despot that exacts your last hour of toil and that sets an unjust value on your industry—my whole premises and conclusions are wrong. Make the investigation thorough; turn the question inside out, and when you have done this, you will agree with me in believing that the exchanges are doing more than all else to destroy values, and to divide our people into classes of slaves and masters—and that in this division you are not the masters.

If there is no remedy for the eradication of this commercial disease, it is unpardonable foolishness on my part to describe to you its insidious workings.

But there is a remedy. It is necessary, however, before explaining its nature that we thoroughly comprehend the disease.

I think you will concede that in some way it is possible for the exchanges to violate commercial law, or the fabulous figures, representing their transactions, could have no existence. It is equally plain that were there statute laws governing the peculiar business for the management of which the exchanges have made their own laws, it would be palpably impossible for them to set aside or to substitute such laws by those of their own manufacture. The exchanges draw their sustenance from the outside world, and the members of these organizations would be liable in actions against them if, in the execution of contracts, they were to disregard the exactions of law.

If this is so, it naturally follows that the enactment of statute laws, defining what shall be legal contracts for the sale of vouchers representing property, and making it necessary for the seller to deliver, or tender these evidences of ownership in termination of their sales, would draw a distinct line between the real and the artificial, and put a stop to the so-called sales of billions of dollars worth of imaginary property, on contracts that could not be legally terminated. Law would thus take the place of rules, and the solid realities of trade would occupy the position now held by base imitations.

Such a law, to the legitimate buyers and sellers, would not be embarrassing, for they are engaged in actual trade, controlling the means necessary for compliance with its provisions. Legislation of this kind, if attempted, will no doubt, by the exchanges, be called hampering trade, but this I most emphatically deny. It is legislation that every dealer in the actual

speculative commodities needs for his protection. To pass such a law is to pull up the weeds in order that the grain which has been smothered so long may grow and enrich the nation.

A bill carefully drawn, after a thorough canvass of the results desired, was introduced into the Senate of New York during the session of 1885. This bill—Senate bill No. 72—was thoroughly discussed in committee and on the floor of the Senate. It passed that body by a vote of 19 to 9, to die in the committee of the Assembly to which it was referred. In Pennsylvania, about the same time, with the united opposition of the exchanges arrayed against it, the same measure was finally defeated on a tie vote.

It is safe to say that not one in twenty thousand of the agriculturists of these States knew that a bill was pending which was of any importance to them, and yet the passage of that measure would have made the produce of their labor necessary in the transactions that fix the price for their labor; and would have elevated the products of farm industry above the airy nothing that is masquerading in the garments of property.

For the humble part which I took in urging legislation at that time I was bitterly opposed by the exchanges, and my motives were impugned by their subsidized press. I have lived, however, to see my predictions of a coming decline in this travesty on business verified; and but for the fact that all productive industry and wealth is sinking as this sinks—and will continue to sink so long as the systems that protect this travesty are suffered to expand the stored produce of American industry—I would not be here for the purpose of introducing this subject to your attention.

In meeting this question you cannot afford to meet it as partisans; you must meet it with an undivided front, demanding the greatest good to all.

Will you thus unite in demanding that there shall be a law to regulate the buying and selling of your produce?

Will you insist upon lawful contracts, which, if violated, can be enforced by courts that are open to every citizen?

Will you insist that property shall be necessary in the speculation that establishes the standard of value of your labor, your soil and its products?

Will you demand that there shall be no more artificial expansion of the accumulated stores, and that the rules of the exchanges shall no longer nullify the laws of the land?

If you answer yes, then I have not occupied your time in vain, for you will rise in your might and become masters of the situation. You are not alone the sufferers, and when your strong arms shall have opened the highway, an irresistible army will be seen marching on demanding the same law for slave and master; the same law for plutocrat and proletarian.



RESOLUTIONS.

At the close of this address the Grange tendered a vote of thanks to Mr. Quick when the following resolutions were unanimously passed:

WHEREAS, The dealings in the products of agricultural industry through purchases and sales of "futures," are exerting a destructive influence on the value of the productive industries of the State, therefore be it

Resolved, That we demand of our Legislature the enactment of such laws as will make property necessary in the termination of all contracts based on certificates, acceptances, or other evidences of property and we recommend for their further consideration the bill introduced in 1885, then known as Senate Bill No. 72, and further be it

Resolved, That we as representatives of the farming industries of the Empire State pledge the united support of the "Patrons of Husbandry" to the passage of measures for the accomplishment of this result.

FULL TEXT OF THE BILL REFERRED TO.

AN ACT—Regulating contracts for the purchase and sale of stocks, certificates, receipts, or other evidences of property.

Section 1—Be it enacted, etc., that it shall be the duty of every person, partnership, and corporation making any contract for the sale, or any transaction based on the present or prospective value of any shares of the capital stock of any corporation, or of any property delivery whereof is to be made by delivery of written, or printed, or partly written and partly printed, certificates, receipts, acceptances or other evidences of title to or liability for the delivery of the property therein specified, made or issued by any person, partnership, or corporation having the custody, possession or control of such property, to deliver

at the time or during the day of the making of such contract, such certificates of shares, receipts, acceptances or other evidences of title to or liability for the delivery of the property therein specified, or furnish the buyer with the serial numbers and dates of such certificates of shares, receipts, acceptances or other evidences of title to or liability for the delivery of the property therein specified, respecting which such contract of sale is made, and which are to be delivered in fulfillment of such contract. If no time is specified in such contract for the delivery of the thing sold, the time for making such delivery, or for furnishing the serial numbers and dates, shall be at the time, or during the day of the making of the contract, Provided: that, if by the terms of any written, or printed, or partly written and partly printed contract of sale, delivery of the thing sold and respecting which such contract is made is fixed for some future time, the time for making delivery of the same, or for furnishing the buyer with the number and dates as aforesaid, shall be at the maturity of the contract, but not later.

Section 2—Neither party to any contract of sale falling within the provisions of this act shall have power to waive the delivery or identification of vouchers by numbers and dates as specified in Section 1. No evidence of any such waiver shall be admitted upon any hearing or trial in any suit or proceeding upon any such contract, or in which any such contract is in any manner involved, and no rule, by-law, resolution, or other action of any board, partnership, corporation or other association shall waive or nullify any of the provisions of this act.

Section 3—If any person, partnership, or corporation, making any contract of sale such as is specified in the first section of this act, shall fail to comply with

the requirements of this act, they shall thereupon become liable to pay the buyer all loss, damage, and injury sustained or suffered by said buyer, by reason of such default. And if any person, partnership or corporation, making any contract of purchase, such as is specified in the first section of this act, shall fail or refuse to receive the certificates of shares, receipts, acceptances, or other evidence of title to or liability for the property therein specified, bought through such contract, when tendered in fulfillment of the same, they shall become liable to pay the seller all loss, damage, and injury sustained by said seller, by reason of such default. Any loss, damage or injury sustained or suffered by either party to any contract as aforesaid, by reason of the failure, refusal, or default of the other party or parties to the same, may be recovered by such injured party in an action at law, in any court in this State having jurisdiction of actions for breach of contract.

Section 4—If any person or persons, member or members of any co-partnership or association, officer or officers of any corporation, who shall have made by themselves or agents on their own behalf, or on behalf of any person, co-partnership, association or corporation, any contract of sale, such as is mentioned and specified in the first section of this act, shall resell, re-pledge, or make any new contract for the sale or pledge of any certificate of shares, receipts, acceptances or other evidences of title to or liability for the delivery of the property therein specified, such as are mentioned and described in the first section of this act, while any previous contract for the sale or pledge of the same is in force or unexecuted, or shall in furnishing the dates and numbers of the same as directed in the first section of this act, knowingly give or use

any false, fictitious or fraudulent date or number, such person or persons, member or members of any co-partnership or association, officer or officers of any corporation, shall be guilty of a misdemeanor, and on conviction shall be sentenced for every such offense to pay a fine not exceeding one thousand dollars and not less than one hundred dollars, and be imprisoned for any term not exceeding one year.

ANALYSIS OF THE BILL.

This bill has been submitted to lawyers of high standing for legal criticism. It has been carefully examined also by experts in modern speculation as conducted through the medium of the exchanges; and in each instance, it has stood the test. In the following analysis, nothing is assumed or stated that facts and figures have not established beyond question.

The measure applies only to the purchase and sale of stocks, elevator and ware-house receipts, pipe-line certificates, or vouchers representing property, which are to be delivered in lieu of the property itself.

SECTION ONE.

Provides that it shall be the duty of every person * * * making any contract for the sale of any shares of stock, or of any property delivery whereof is to be made by delivery of written or printed certificates * * * to deliver at the time, or during the day, such certificates * * or furnish the buyer with the serial numbers and dates of such certificates * * for the delivery of the property therein specified, respecting which such contract of sale is made, and which are to be delivered in fulfillment of such contract—or to be more direct and pointed—to guarantee that the transaction is *bona fide*, a purchase and sale, with all the

elements of legitimate business attached, and devoid of every semblance of gambling.

If by the terms of any contract, delivery is fixed at a future time, the maturity of that contract shall be governed by the same conditions as regular transactions.

This reduces every transaction to a regular basis, and brings every contract to a legal, business termination. For, under the law, the seller may not expose for sale a commodity that is not within either his possession or control, and the buyer should be ready with the means to pay for that commodity, without any hope or design of settling differences by the aid of "Wash Sales" and clearing-house ledgerdom.

SECTION TWO,

Provides, That neither party to any contract of sale * * * shall have power to waive any of the provisions thereof relative to delivery or identification of vouchers by members and dates. No evidence of any such waiver shall be admitted upon any hearing or trial in any suit pending upon any such contract * * * and no rule, by-laws, resolution or other action of any board * * * shall waive or nullify any of the provisions of this act.

Under this section, exchanges are brought under the jurisdiction of courts so that members of such bodies cannot evade the law of the land by acknowledging alone the authority of an exchange.

Why should a member of any exchange, organized under the law of the land, possess more power than a private citizen, both supposed to be dealing in like commodities under equal laws?

Buy a thousand bushels of wheat of a farmer or merchant, an absolute delivery is necessary to complete the contract.

Buy a thousand bushels of wheat of a member of an exchange, you only get or pay the difference between to-day's market price and that of to-morrow.

There is nothing real in this latter transaction. If the market goes in your favor, you get something for nothing. You gain, some one else loses.

Two persons sow, one only reaps. The members of the exchange annihilate the profits of production, and in the end, after paying interest, exchange and the hundred and one *et ceteras*, confiscation, poverty, and the worst form of slavery must follow. Production has to stand the drain and is relieved of none of its accumulations or surplus. The system fosters a spirit of gambling detrimental to good citizenship and creates an army of idlers, "They toil not, neither do they spin, and yet I say unto you that Solomon in all his glory was not arrayed like one of these."

Liberty, in the formation of contracts, is not only recognized, but substantially guaranteed by the provisions of the bill. License—that miserable counterfeit of liberty—when used to destroy honest barter, is restricted in the first instance; and, if persisted in is punished.

The courts are thrown open to the injured party, where he may recover in an action at law, without fearing the rules of the exchanges, or of being outlawed as a gambler.

Any one studying the history of the modern exchanges, and their legitimate offspring—"the Bucket-Shop"—will appreciate the necessity of this measure, which, after all, aims at nothing more than the restoration of trade to its normal condition, upholding honesty in the buying and selling of commodities, and consigning the gambler and his vices to the fostering care of an outraged law.

SECTION THREE, .

Provides, If any person making any contract of sale, such as is specified in the first section of the act, shall fail to comply with the requirements of the same, he shall thereupon become liable to the buyer for all damage and injury sustained and suffered by said buyer, by reason of such default. And if any person, making any contract of purchase, such as is specified in the first section of the act, shall fail or refuse to receive the certificates of shares or other evidences of title to property therein specified, bought under such contract, when tendered in fulfillment of the same, he shall become liable to pay the seller all loss, damage and injury sustained by said seller, by reason of such default. Any loss, damage or injury sustained or suffered by either party, under any contract as aforesaid, by reason of the failure, refusal or default of the other party to the same, may be recovered by such injured party in an action at law, to be sued for in any court having jurisdiction of actions for breach of contract.

SECTION FOUR,

Provides, If any person or persons shall have made by themselves or agents on their own behalf, or on behalf of any co-partnership, any such contract or sale as is mentioned and specified in the first section of the act, shall re-sell or re-pledge or make any new contract for the sale or pledge of any certificates of shares or other evidence of property, such as are mentioned and described in the First Section of the act, while any previous contract for the sale or pledge of the same is in force or unexecuted, or shall, in furnishing the dates and numbers of the same, as directed in the First Section of this act, knowingly give or use any false, fictitious or fraudulent date or number, such person shall be guilty of a misdemeanor and on

conviction shall be sentenced, for every such offense, to pay a fine not exceeding one thousand dollars and not less than one hundred dollars, and be imprisoned for any term not exceeding one year.

This section simply designates the punishment for the violation of any of the provisions of the law, against the possibility of duplicating sales, based upon the same unit of commodity, without first making a delivery. In other words, the penalties herein designated will prevent the transformation of "wind" or "short" selling into bear arguments by the aid of which, the laws of supply and demand are rendered void and of no effect. Assuming this bill to have become law, then the admonition to those in the trade is, be honest in all your transactions, but, if you are not, he who is injured by your gambling practices will; if he knocks, find the courts open, and you if you be guilty will find the prison open. A jury of your peers will determine what is justice in the premisis. The issue is plain so that he who runs may read.

OBJECTIONS TO LEGISLATION.

The objections to Legislation that are worthy of notice are confined to a narrow field, and may be briefly stated:

First.—That the passage of laws regulating speculation in any one State will drive business to some other State where no such laws exist, and

Second. That speculation will be destroyed and the surplus products thus thrown entirely on the hands of the producers.

In meeting the first proposition it should be noted that the proposed legislation does not in any way tend to lay burdens on the buyers and sellers of actual

property. Sellers with property at their command can deliver the same; buyers for legitimate purposes are prepared to accept their purchases. One having vouchers for actual property would certainly not leave a State in which the sales of property were protected in order to offer his wares in markets where their substance is of less consequence than their shadow; neither would buyers for legitimate speculation seek markets where they could not enforce their contracts, in preference to buying where there was a law for their protection. It would be more logical to conclude that the legitimate buyers and sellers would seek to operate in those States where there were laws enabling them to collect for damage on violated contracts, and that commercial transactions would soon be in the ascendancy, relegating the operations of Exchanges under their own laws to pass to the rear of those controlled by general laws to which all have the right of appeal.

In reply to the second objection that speculation will be destroyed, etc.:

It is clear that speculation, in the form that it has ever performed a service to commerce, has been almost if not quite destroyed and supplanted by systems under which it cannot exist. All the evils pictured as a result of the passage of law regulating contracts are to-day a living reality by reason of the innovations on speculation, and it is the aim of the legislation recommended to clear the field for the growth of legitimate speculation under the garb of which so much damage has been inflicted on the industrial pursuits.

CONCLUSION.

The direct effect of modern speculation on all classes of produce has been to depress values until there is little if any profit left for the producer; both directly and indirectly to reduce the market price of physical labor to the lowest extreme, and to give over the management of our railroads to those who manipulate freight and passenger rates, dividends, expenses, and net results and make their trusts secondary and subservient to their gambling ventures in the exchanges.

By the sale of contracts maturing at future periods at prices involving less expense than carrying vouchers for property (as has been previously shown,) contracts have become preferable to property, and the latter is a constantly increasing burden. The realities of trade are thus secondary to their imitation, and, as the sales of these realities establish prices, the superior inducements offered for the purchase and sale of the imitation, causes the genuine to take the lead in a general and continued struggle for a lower plane of values.

As a placer miner finds the wealth he seeks beneath the accumulation of worthless matter, so in the speculative exchanges true values are constantly hidden by the fictitious, and this fictitious must of necessity be removed before the concealed wealth can be exposed to view.

The accumulation of the products of national industry has become the nation's curse. Industry and thrift have brought a burden of poverty. Abundant harvests have responded to the toil of the husbandman, yet they have garnered who have not sown.

The continuation of modern speculation means

universal depression in trade; markets crowded with pauper labor; lower rents and rates of interest; curtailment of stored supplies for future demand; and the commerce of the nation monopolized by trusts and combinations of capital that force tribute, and live in opulence, while the masses are struggling for bread.

Were there grounds on which to found a reasonable hope that the exchanges will run their course and die of exhaustion, the people could fold their hands and wait for the dawn of a more prosperous era, but unfortunately these parasites on commerce can draw their sustenance so long as the body is animated with life. The withdrawal of the public still leaves the exchanges to dictate the value of the real commodities, and in their struggles to market their substitutes the general decline will continue. A commercial revolution is necessary in order to eradicate the evil and when this revolution comes no one engaged in legitimate trade, in production, or that has an hour's labor to market, can be a disinterested spectator.



EXCHANGE NOMENCLATURE.

For the information of those who desire to study Modern Speculation through the exhaustive reports furnished by the press, explanations of the most familiar terms are appended. It will be seen by this brief glossary that new words were, in many instances, absolutely necessary for the proper classification of transactions which have come into existence through the exchanges, and because the vocabulary of the English language was too limited to furnish terms adequate to express such innovations.

Bear.—One who sells that of which he is not possessed, and exerts his influence in depressing prices in order that he may extort money from the purchaser by buying back at a lower price. One interested in depressing values.

Bear the Market.—To bear is to pull or weigh down, the market. To operate upon the market by selling, or agreeing to deliver that which the seller does not possess; to lower prices by abnormal influences, false rumors, "wash" sales and the application of devices for destroying values.

Bucket Shop.—An exchange on a small scale which makes no pretense of buying, selling, carrying, borrowing or lending speculative vouchers, the value of which forms the base for their transactions—gambling transactions for the margins involved. The *bucket shops* obtain their quotations, and follow the general methods of business practiced in the exchanges, but their transactions are not concealed by any portion of actual business. The *bucket shops* could not run without the exchanges.

Borrowing and Lending.—When one sells short, the vacuum thus made is filled by *borrowing* from the longs. The one buying long is also required to provide for carrying his purchases by *lending* them to others. Every short must have an opposite long. A short can be a *borrower* and not receive property, and a long can become a *lender* without *lending* property. The one who has bought

nothing lends to the one who has sold nothing and the vacuum is filled, the short charging and the long paying for a service that is not performed. Both sides are taking a hazard on the market fluctuations with interest, storage, insurance, etc., as a *per cent.* in the short seller's favor. Through the competition among short sellers for phantom carrying charges, the rates for call loans, and storage on commodities, are made to range below the cost of actual service, and transactions involving no property become preferable.

Bull.—An exchange term for one who wagers a margin, or buys for speculative purposes without receiving and retiring his purchases, *i. e.* agrees with the seller, called a "bear" or "short" to take a certain amount of stocks or property at a future time at a stated price; if at that day the market price has advanced he receives the difference; if it has declined he pays the difference. One interested in advancing prices is called a *bull*. To *bull* is to exert influence to advance markets.

Buyer's Option.—The purchaser of a *buyer's option*, thirty, sixty, or ninety days, can demand that the seller make delivery at the price agreed upon, on any day within that time, or the buyer can wait until the expiration of the agreement. A purchase on *buyer's option* is generally at a fraction above the cash price. This fraction above cash prices, if the seller held property with which to terminate his contract, would be the compensation for storage, interest, insurance, etc.

Call Contract.—An agreement giving the buyer the privilege of demanding the delivery of property within a specified time at a stated price, is termed a *call*. The buyer pays a money consideration for the privilege of *calling*, at an agreed price above market quotations. If the *call* is not made the contract expires, and the buyer loses and the seller wins the stake or sum paid for the privilege.

Carrying.—When a broker is holding a purchase for a customer, becoming responsible for the same until ordered to sell, he is said to be *carrying* for his customers account. The broker, in filling his order, may have become a short seller, charging brokerage when no purchase is made, and may afterwards collect for interest and storage on the supposed property held, when there has been no purchase or *carrying* in the transaction. If property is bought and left in a broker's hands it can be loaned by him to the shorts in making deliveries, or for depressing the value of the property entrusted to his care. Through the disregard for property in *carrying*, the greatest additions of the substitute for property are made.

Corner.—When a combination of buyers purchase a larger quantity of any article than is known to be in existence, and by continued buying advance prices for the purpose of forcing the short sellers to settle at figures that involve a loss to them, the shorts are said to be *cornered*. The principal object sought in a *corner* is to force the shorts to settle at a loss. There can be no *corner* when there is no short interest.

Exchange.—An association of a limited number of persons, usually incorporated under the laws of a State, for the purpose of dealing in stocks and the products of land and labor. Through the adoption of rules and by-laws for the government of the members and transactions in the exchanges, the so-called contracts are not regulated by law, nor have the parties to them any legal remedies. The great majority of transactions in the exchanges, being based on margins and settlement of differences through clearing-houses, are gambling wagers upon the rise and fall of market quotations, and lack the requisites of legal contracts in that they do not contemplate the purchase sale and delivery of actual property for an actual price paid.

Flyer.—When one not a regular operator makes a gambling venture on margins, or through the exchanges, he is said to take a *flyer*.

Futures.—Buyers' and sellers' options. Speculative agreements that terminate at a *future* time.

Forced Quotations.—Quotations are said to be *forced* when two parties, with a mutual understanding, make fictitious transactions above or below the market for the purpose of affecting values. See "Washing" and "Matching."

Lambs.—The outsiders who contribute, by margins and otherwise, to the support of the exchanges. Those that have not had experience in operating in the exchange.

Long.—When a buyer has purchased on time, or leaves his purchases to be carried by his broker, he is said to be *long*. The opposite of "Short." One not having possession of his purchases.

Margin.—A sum of money pledged by a person operating through a broker, or in a bucket shop or exchange, as security to provide for his losses on adverse changes in the market quotations. Usually the stake put up at the time of making the wager; the amount lost or won on exchange speculative transactions.

Match Orders, or Matching.—Orders to buy and sell that offset each other. Giving one broker an order to sell and another an order to buy an equal amount; one transaction cancels the other and the one giving the order, in effect, neither buys nor sells.

Matching.—Is resorted to in order to test the strength or weakness of markets preparatory to an effort to advance or depress quotations. See "Forced Quotations" and "Washing."

Pool.—A combination of operators for the purpose of buying or selling any speculative commodity or stock, thereby advancing or depressing prices by an united effort.

Put.—The opposite of "Call." The buyer of a *put* agreement has the privilege of delivering or *putting* commodities or stocks at a certain price within a specified time. The nominal seller receives a sum of money for the privilege, and is obliged to accept and pay for the commodities or stocks tendered, or forfeit the difference in market price. The price named is always below cash quotations, and unless the market declines so that the holder of the privilege can purchase at a less price than that named in the *put*, he loses and the seller wins the stake.

Ring.—A clique. A faction. A combination of brokers, speculators, politicians, or gamblers for the purpose of operating in, or controlling markets, properties, legislation, or pools.

Sellers' Options.—Agreements which give the sellers the *option* to deliver at any time prior to a fixed date, at a price named, and the buyer is required to receive the stocks or property tendered, or settle differences. A *sellers' option* for any month terminates on the last business day of that month.

Short. To Sell Short.—In the sale of stocks, cotton, grain, etc., to sell *short* is to agree to deliver what one is not possessed of. *Short* transactions are a stumbling block to beginners; the science of selling what one does not have, and yet make money by the operation, is a species of metaphysics which comes only with education. *Short* is the opposite of "Long."

Straddle.—An agreement which gives the holder the privilege of either calling or putting at the same price, to the other party, the nominal seller or buyer, within a certain time. If neither privilege is exercised the stake is lost by the holder of the privilege.

Suckers.—Parties who are induced to operate in the exchanges by reason of false reports, and exaggerations. When a pool or operator, sets a bait for the outsiders, those who bite are said to be *suckers*.

Washing.—A purchase and sale previously agreed upon. One broker or operator buys what another offers for sale at an agreed price. The bargain is fictitious, not even margins being at stake, yet the effect is to establish quotations and furnish a basis for other sales.

This book is due on the date indicated below, or at the expiration of a definite period after the date of borrowing, as provided by the library rules or by special arrangement with the Librarian in charge.

DATE BORROWED	DATE DUE	DATE BORROWED	DATE DUE
C26(3-52)100M			

Manufactured by
GAYLORD BROS. Inc.
Syracuse, N.Y.
Stockton, Calif.

Q4

004135

0041442113

BOUND

JUN 2 - 1954



**END OF
TITLE**